

AR33

*file*

*J. D. S.*

GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD. ANNUAL REPORT 1968





# GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

The annual meeting of shareholders will be held at 11:00 a.m. on Tuesday, March 18, 1969, at the head office of the Company, 6th floor, 736 - 8th Avenue S.W., Calgary, Alberta.

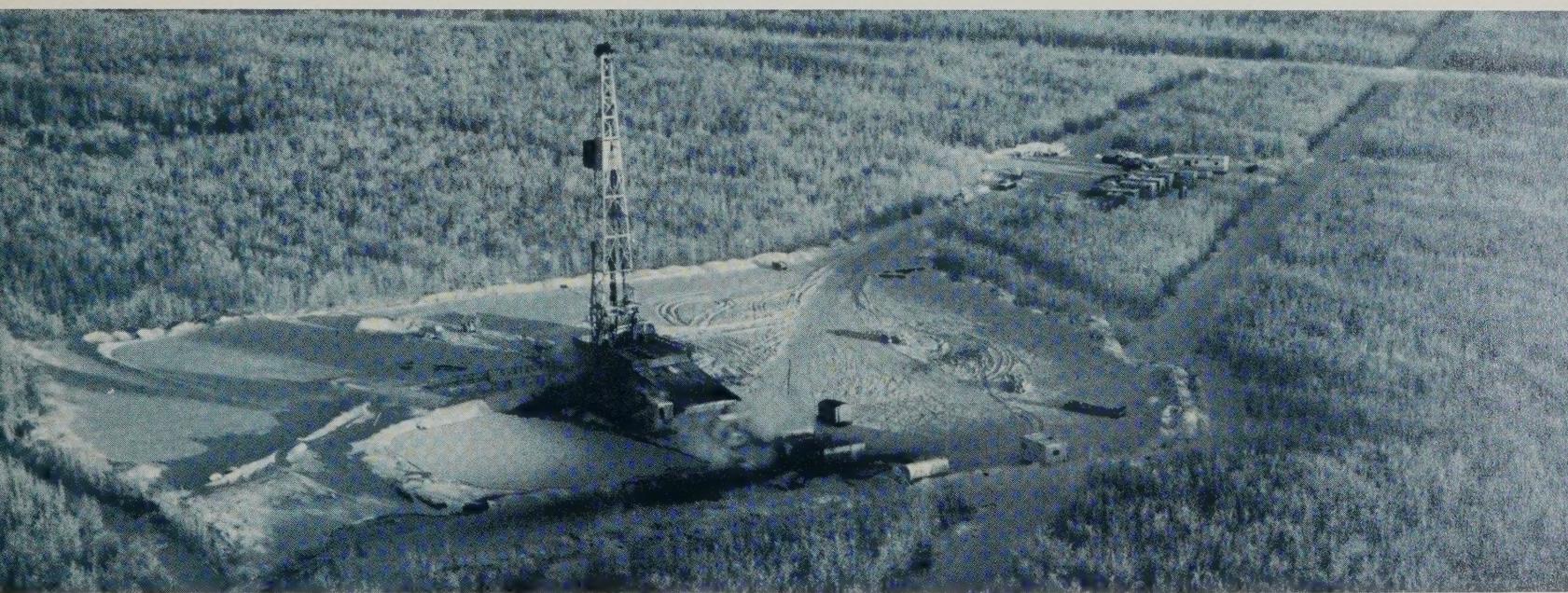
## CONTENTS

Financial . . . . .	3
Exploration for Oil and Gas . . . . .	3
Alaska . . . . .	7
Exploration for Metals . . . . .	8
Drilling . . . . .	9
Thermal Recovery . . . . .	9
Production . . . . .	10
Reserves . . . . .	13
Employees . . . . .	14
Financial Statements . . . . .	15
Ten-Year Statistical Summary . . . . .	22
Directors and Officers . . . . .	24

COVER — Artist Boyd Speer has captured transportation modes centuries apart in origin — helicopter and kayak. The meeting of Eskimo and oilman is becoming a common sight with the surge of interest in the Far North by the oil industry.

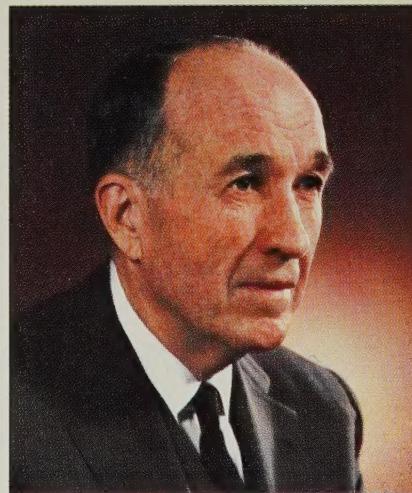
## THE YEAR IN BRIEF

	1968	1967
<b>FINANCIAL</b>		
Gross income . . . . .	\$ 9,102,000	\$ 8,852,000
Net income, after provision for deferred income taxes . . . . .	\$ 3,307,000	\$ 3,274,000
Per share . . . . .	\$ 1.04	\$ 1.02
Dividend . . . . .	\$ 1,278,000	\$ 1,278,000
Per share . . . . .	40¢	40¢
Cash generated from operations . . . . .	\$ 6,522,000	\$ 6,380,000
Per share . . . . .	\$ 2.04	\$ 2.00
<i>At Year-End</i>		
Working capital . . . . .	\$ 903,000	\$ 667,000
Long-term debt . . . . .	\$ 4,349,000	\$ 3,768,000
Shares outstanding . . . . .	3,194,739	3,194,364
Shareholders' equity, per share . . . . .	\$ 14.61	\$ 13.98



## OPERATING

Oil and gas liquids production, net barrels . . . . .	2,890,000	2,783,000
Daily average . . . . .	7,896	7,624
Gas sales, net millions of cubic feet . . . . .	8,539	8,063
Daily average . . . . .	23.3	22.1
Sulphur sales, net long tons . . . . .	11,500	11,200
<i>At Year-End</i>		
Proved reserves, net:		
Oil and gas liquids, barrels . . . . .	49,770,000	40,376,000
Gas, millions of cubic feet . . . . .	302,000	337,000
Sulphur, long tons . . . . .	408,000	466,000
Total equivalent barrels of reserves . . . . .	78,260,000	72,329,000
Oil and gas land holdings, net acres . . . . .	7,740,000	6,753,000



LEWIS W. MACNAUGHTON  
Chairman of the Board

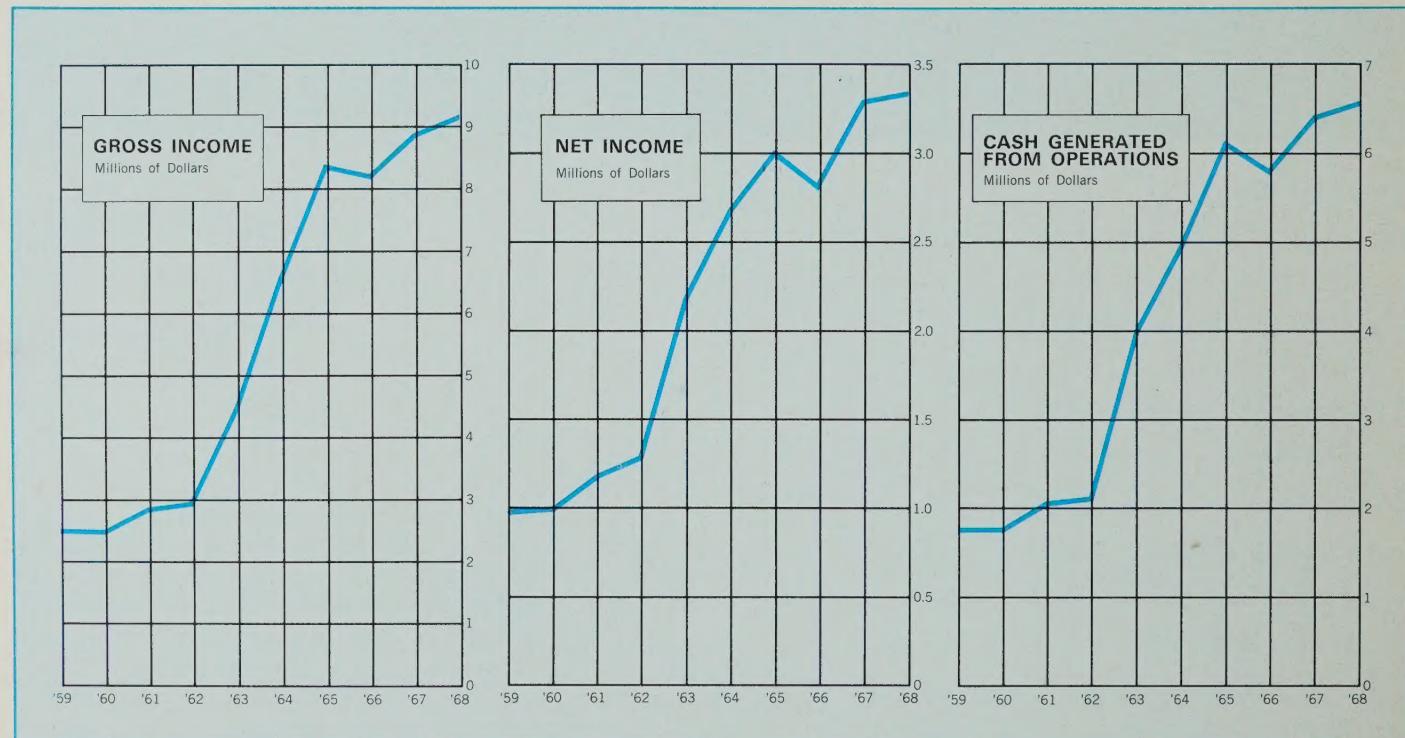


DAVID E. MITCHELL  
President

## REPORT TO THE SHAREHOLDERS

It is a pleasure to present the 1968 Annual Report, for the Company's 19th year of operation. Highlights of the year were as follows:

- Revenue, net income and cash generated increased moderately, all reaching record levels.
- Exploration began on the Company's extensive Arctic Island holdings, on which Panarctic Oils has a multi-well commitment.
- Additional acreage was acquired in the North and drilling has commenced on Company land in the Yukon Territory.
- Exploration for oil and gas on Company properties in western Canada continued at a high rate.
- A core with high uranium content was recovered in the area of the Company's Wollaston Lake properties in Saskatchewan.
- Crude oil reserves have increased as a result of enhanced secondary recovery projects and development drilling.



## **Financial**

Gross income in 1968 was \$9,102,000, as compared to \$8,852,000 in 1967. Crude oil sales accounted for 62 percent of this income, natural gas and gas liquids 33 percent and sulphur sales the remaining 5 percent. More than one-third of the Company's sulphur production was stockpiled because of market conditions.

Net income was \$3,307,000 or \$1.04 per share, after provision for deferred income taxes. A strong flow of funds continued, with cash generated from operations at \$6,522,000 or \$2.04 per share. Due to large exploration and development expenditures in prior years, which can be offset against current income, no income taxes are currently payable and sufficient credits are available to defer tax payments for several years.

A dividend of 40 cents per share, totalling \$1,278,000, was paid on January 6, 1969 to shareholders of record on December 6, 1968. Canadian shareholders are entitled to claim a full 20 percent depletion allowance on this dividend.

Revenue from developed properties is expected to be about the same in 1969 as it was in 1968.

## **Exploration For Oil and Gas**

Great Plains is investing a substantial portion of its cash flow in exploration for large oil and gas reserves. In 1968, \$3.0 million was expended for this purpose, \$2.0 million in a joint venture with the Northern Oil Group, and \$1.0 million for exploration by Great Plains on other lands.

The \$25 million Northern Oil exploration program is shared 40 percent by Great Plains, 40 percent by Barber Oil Corporation and 20 percent by Noranda Mines. To date, 62 percent of Northern Oil's expenditures have been for land acquisition and geophysical exploration. As the program proceeds, a greater proportion of drilling expenditure is anticipated. Excluded from the joint exploration agreement are the Arctic Islands interests and other lands held by Great Plains before the Northern Oil project commenced.

Some of the exploration activity of special interest, planned by Great Plains or Northern Oil, is tabulated hereunder.

- In the Old Crow area along the Alaska-Yukon border, exploration rights were acquired to 2,067,000 gross acres. Surface geological work was conducted during the past summer and additional geological field work and seismic surveys are planned.
- At Mills Lake in the Northwest Territories, a block of 2,280,000 gross acres has been accumulated. An extensive seismic program is now being conducted in the area.
- In the Arctic Islands, drilling will begin in 1969 on or near Company acreage. Panarctic Oils has committed to drill four wells on Company holdings and has options to drill an additional seven wells. At the conclusion of this program, scheduled for 1973, Great Plains' remaining interests in the individual blocks will be 33 to 50 percent. This work will be done at no cost to Great Plains.

# LAND HOLDINGS IN YUKON, NORTHWEST TERRITORIES AND ARCTIC ISLANDS

0 100 200 300 400  
MILES



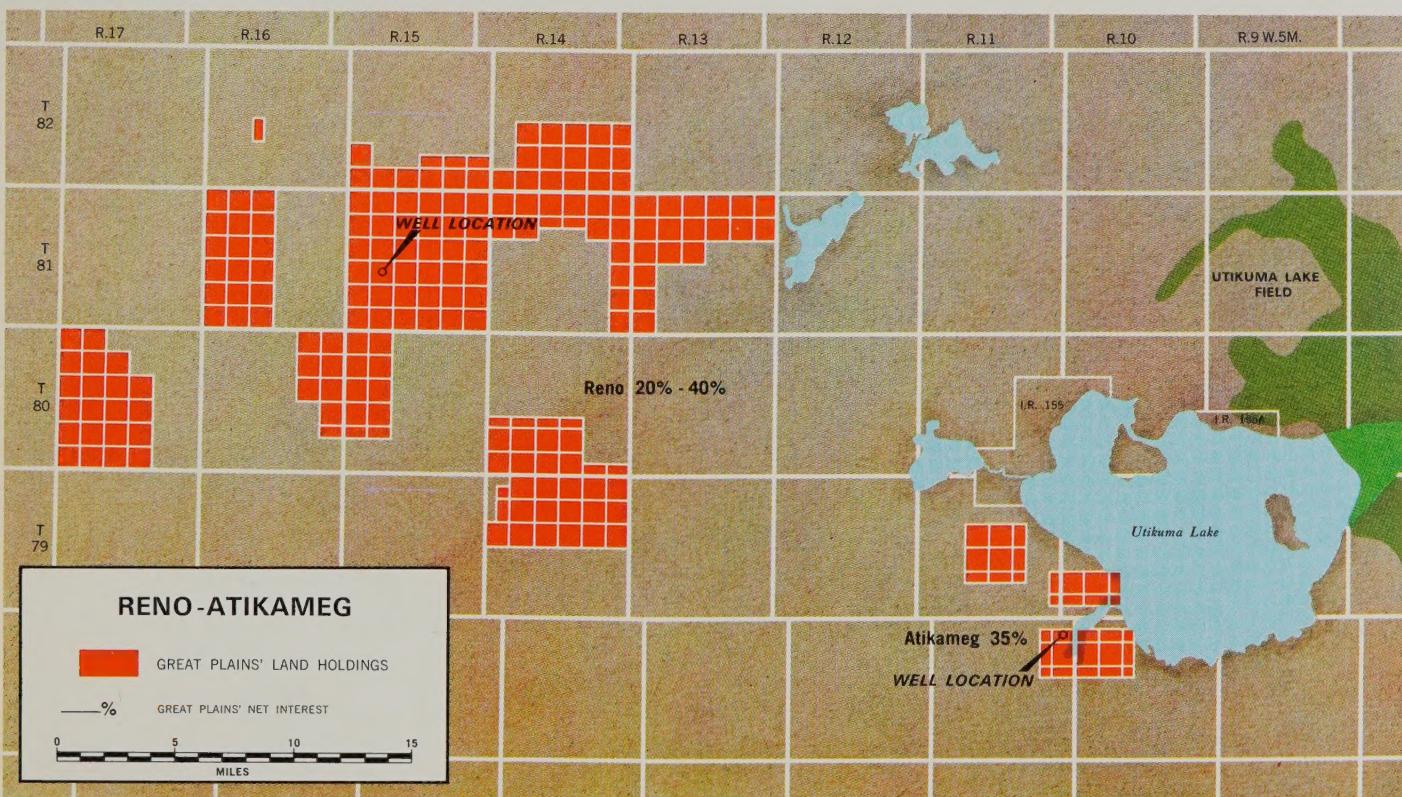
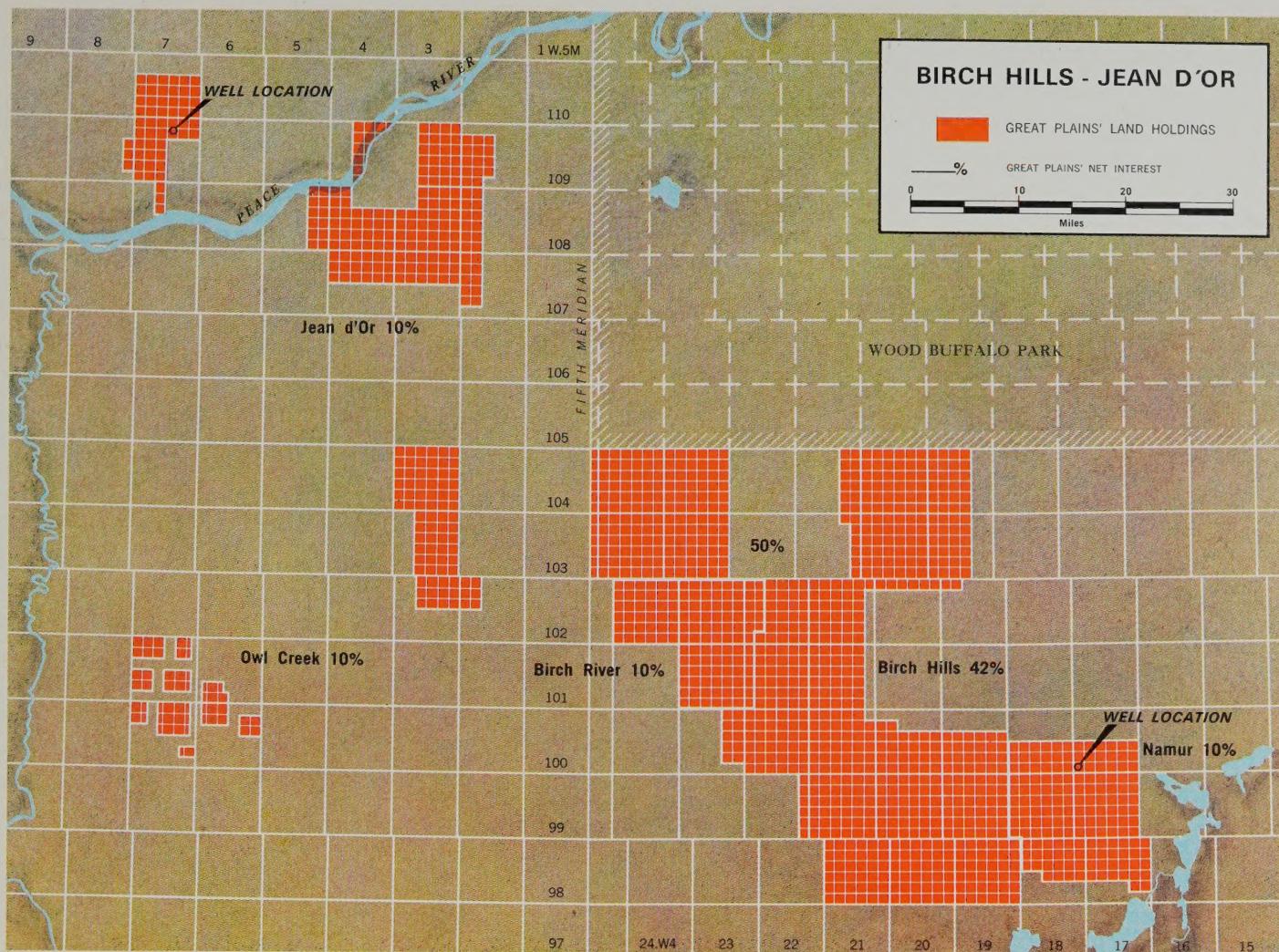
GREAT PLAINS'  
LAND HOLDINGS



- At Taylor Lake in the Yukon Territory, a well is being drilled on a 131,000-acre block in which Great Plains will have a 50 percent interest.
- In northern Alberta, several wells will be drilled in the Birch Hills - Jean d'Or areas where 876,000 gross acres prospective for Keg River-Rainbow type reef are held.
- In north-central Alberta at Reno and Atikameg, where the Company has interests in 126,000 gross acres, wells will be drilled to

test the Mississippian and Granite Wash formations.

- In Saskatchewan, 3 wells of a 6-well program remain to be drilled on or near blocks totalling 746,000 gross acres. Four of the wells are part of a 46-well industry project to evaluate the Winnipegosis trend in southern Saskatchewan.
- Exploration wells are now underway in Alberta at Senex, Stony Plain and North Duhamel, and also in Ontario. Additional drilling is planned in other areas throughout the year.





*Winter drilling in northern Alberta.*

*Truck mounted vibrators are commonly substituted for explosives in seismic operations.  
Shroud covered engines, a necessary precaution for northern operations.*

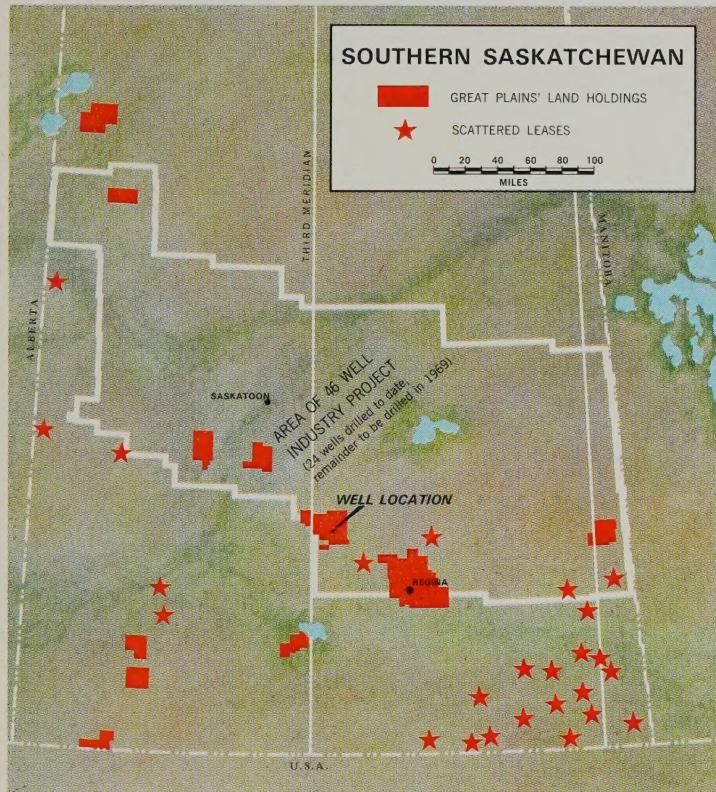


Great Plains owns 7,740,000 net acres out of 14,519,000 gross acres, including its interest in Northern Oil's holdings. During 1968, the Company's land holdings increased by 987,000 net acres. Most of the increase is represented by large blocks of acreage in the Yukon and Northwest Territories. Minor amounts of acreage were surrendered, farmed-out or returned to the Crown upon lease conversion.

### Alaska

The discovery of potentially one of the major petroleum accumulations in the world, on the north slope of Alaska, has ushered in a new era for the Canadian petroleum industry. The impact of the discovery has already been manifest by the rush to acquire exploratory rights throughout Alaska and the Canadian Arctic, and by a surge of drilling activity which will see as many as 15 rigs working in Alaska and the Mackenzie Delta during the current winter.

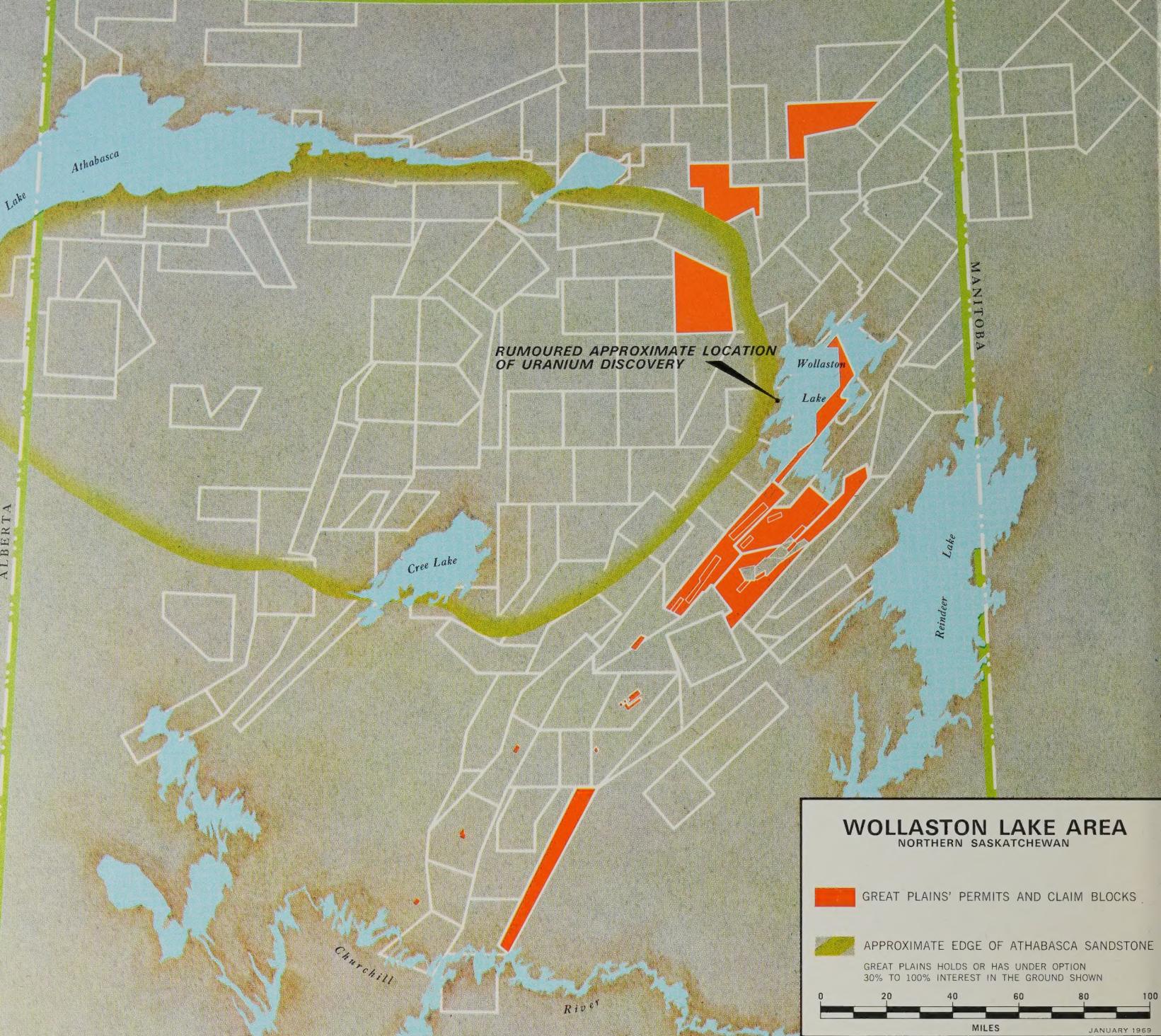
Alaskan oil is important to Canada because it has focused exploration attention on the potential of the Far North and for its long-range significance to the marketing of Canadian crude. Reserves found in Alaska thus far are likely to be absorbed in the growing demand of the United States West Coast, with sales commencing in about 1972. There is no doubt that United States' petroleum needs are growing rapidly, and this has been a fundamental strength in the value of Canadian reserves; it is the timing of the finding and marketing of future large Alaskan reserves that will have the greatest effect on Canadian producers. Canadian exploration efforts in the North are already accelerated by the excellent discovery in Alaska and the possibility of a pipeline from Alaska through Canada when additional large discoveries are made.



### OIL AND GAS LAND HOLDINGS as at December 31

	1968	1967		
	Gross Acres	Net Acres*	Gross Acres	Net Acres
Alberta . . . . .	2,296,000	792,000	2,332,000	864,000
British Columbia . . . . .	139,000	50,000	150,000	53,000
Saskatchewan . . . . .	1,829,000	740,000	1,510,000	595,000
Manitoba . . . . .	18,000	7,000	6,000	2,000
Ontario . . . . .	84,000	(Royalty)	72,000	29,000
Yukon and Northwest Territories . . . . .	4,902,000	1,957,000	1,792,000	1,016,000
Arctic Islands . . . . .	4,448,000	3,873,000	4,448,000	3,873,000
Offshore . . . . .	803,000	321,000	803,000	321,000
	<u>14,519,000</u>	<u>7,740,000</u>	<u>11,113,000</u>	<u>6,753,000</u>

\*Excludes royalty interests



### Exploration For Metals

A small program of metals exploration was started in 1964, with significant activity commencing in 1966. Gradual budget increases and development of staff have followed and the program is now well established.

In the summer of 1968, an average of 25 men were employed in the field on this program. Geological, geophysical and geochemical surveys were conducted in various areas of Saskatchewan and British Columbia. The Company is also a member of an eastern mining syndicate currently exploring in New Brunswick.

A recent announcement of high grade

uranium mineralization in a core hole in the area of the Company's Wollaston Lake ground adds further encouragement for exploration in northern Saskatchewan. The location of this core hole has not been released and the one shown on the map above is based on unofficial information. Great Plains filed on permits at Wollaston Lake in 1965 and with new ground subsequently acquired there, holds or has under option approximately 776,000 net acres out of 1,578,000 gross acres. This includes interests in five permits acquired at Wollaston Lake since year-end.

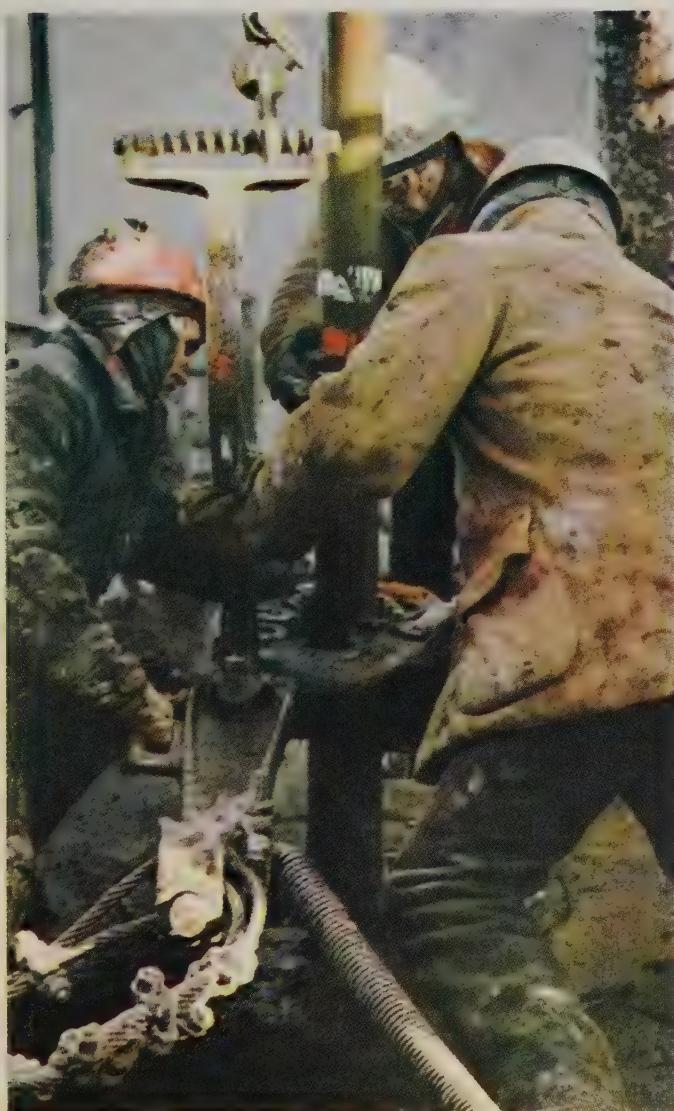
An additional 89,000 net acres are held in the La Ronge area of Saskatchewan and 25,000 net acres in British Columbia.



Above: Heading for fly camp.

L.2 campsite in the Wollaston Lake area.

Below: The rigors of winter drilling on the derrick floor.



### Drilling

During the year, the Company participated in the drilling of 108 wells in which it had interests equivalent to 33 net wells. Of these wells, 57 gross (14 net) were exploratory tests and 51 gross (20 net) were development completions. Fourteen exploration ventures were completed as minor oil or gas wells. The exploratory drilling included 26 farmout wells, drilled at no cost to Great Plains.

The principal areas of development drilling were at Pembina in Alberta, where there were 10 Cardium oil completions and in the Butte area of Saskatchewan, where 12 more oil wells were drilled in the vicinity of a discovery made in 1967. Two oil wells were also drilled at Mitsue in northern Alberta and 8 were drilled at Hamilton Lake in central Alberta as part of a development project which will continue in that area in 1969.

### Thermal Recovery

At Cold Lake, the experimental project was expanded from its initial two wells to a full five-well pattern comprising one injection well and four producing wells. Steam injection was continued throughout the year and oil production has been obtained from all four producers.

Great Plains farmed-out another block near Cold Lake, retaining a 25-percent interest at no cost during the experimental phase. The operator has commenced steam injection on this project, which comprises four injection wells and nine producing wells.

## Production

Crude oil and natural gas liquid production averaged 7,896 barrels a day, compared with 7,624 barrels a day in 1967. Increased oil production from new wells and allowable gains in the Pembina, Mitsue, Hamilton Lake and Butte fields were more than sufficient to offset decreases in production due to allowable reductions, normal declines and the sale of several small producing properties. The Company is continuing to sell small producing properties with disproportionately high overhead, whenever suitable opportunities arise.

Gas sales increased for the seventh consecutive year, totalling 8,539 million cubic feet as compared to 8,063 million cubic feet in 1967.

Sulphur production was 18,400 long tons, up 37 percent from the 1967 rate of 13,400 long tons. Sales during the year totalled 11,500 long tons and 6,900 long tons were stockpiled. The weakening of sulphur markets, which occurred in 1968, was due primarily to reduced consumption in the fertilizer industry and increasing competition from other methods of production. At year-end, the Company's sulphur inventory totalled 10,400 long tons, equal to about seven months' production.

## CRUDE OIL PRODUCTION - Net Barrels

ALBERTA	1968	1967
Bigoray . . . . .	121,000	152,000
Hamilton Lake . . .	87,000	65,000
Harmattan . . . . .	97,000	110,000
Nevis . . . . .	48,000	57,000
Normandville . . . .	55,000	59,000
Pembina . . . . .	1,041,000	950,000
Turner Valley . . . .	55,000	56,000
Other Areas . . . .	214,000	187,000

## SASKATCHEWAN

Butte . . . . .	81,000	61,000
Steelman . . . . .	138,000	148,000
Weyburn . . . . .	105,000	111,000
Workman . . . . .	83,000	85,000
Other Areas . . . .	74,000	79,000
Royalty Interests . .	97,000	105,000
	<hr/>	<hr/>
	2,296,000	2,225,000
	<hr/>	<hr/>



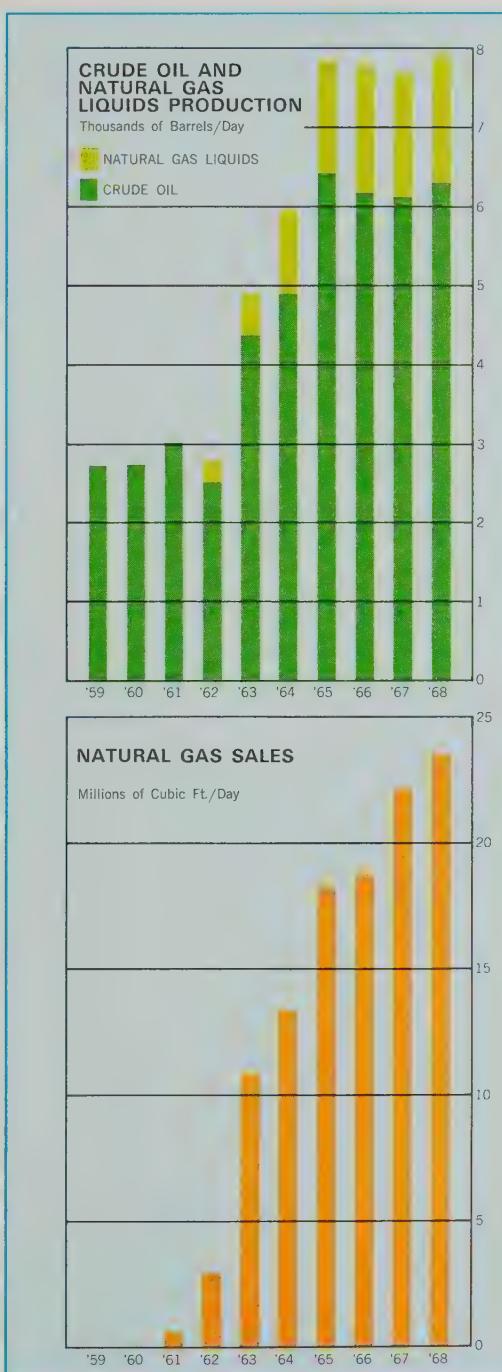
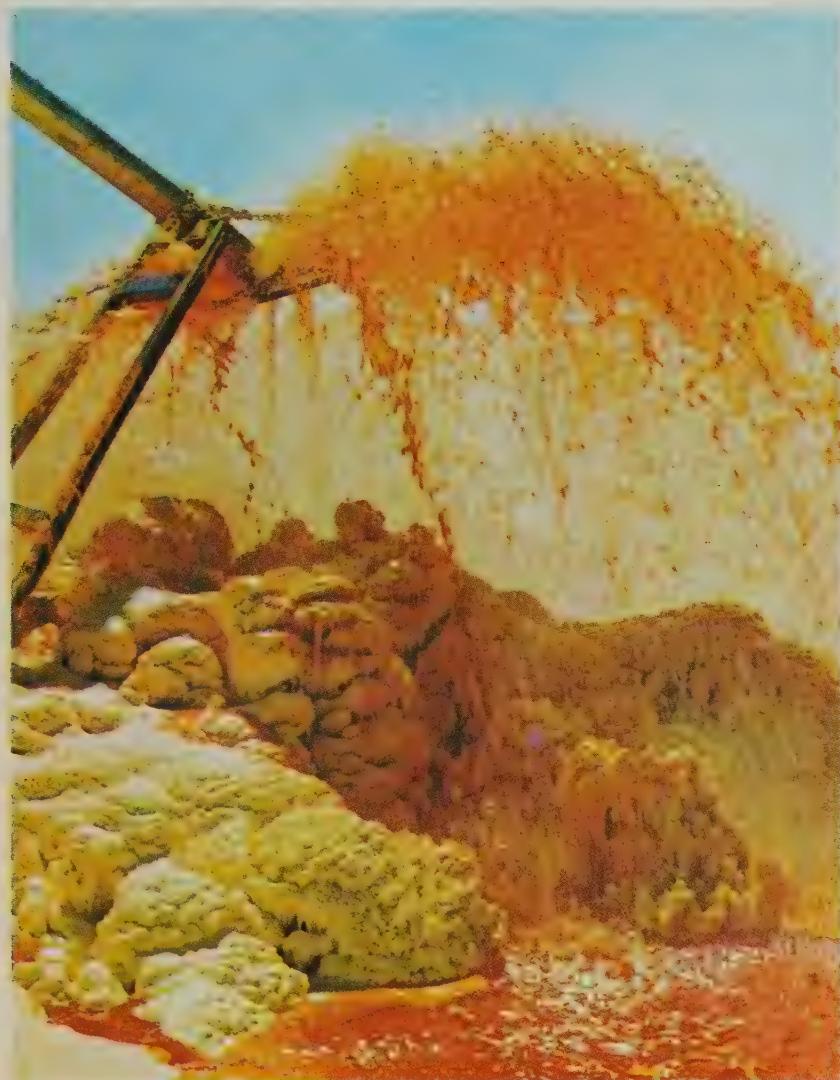
*Scenic wellsite overlooking the North Saskatchewan River in the Pembina field.*

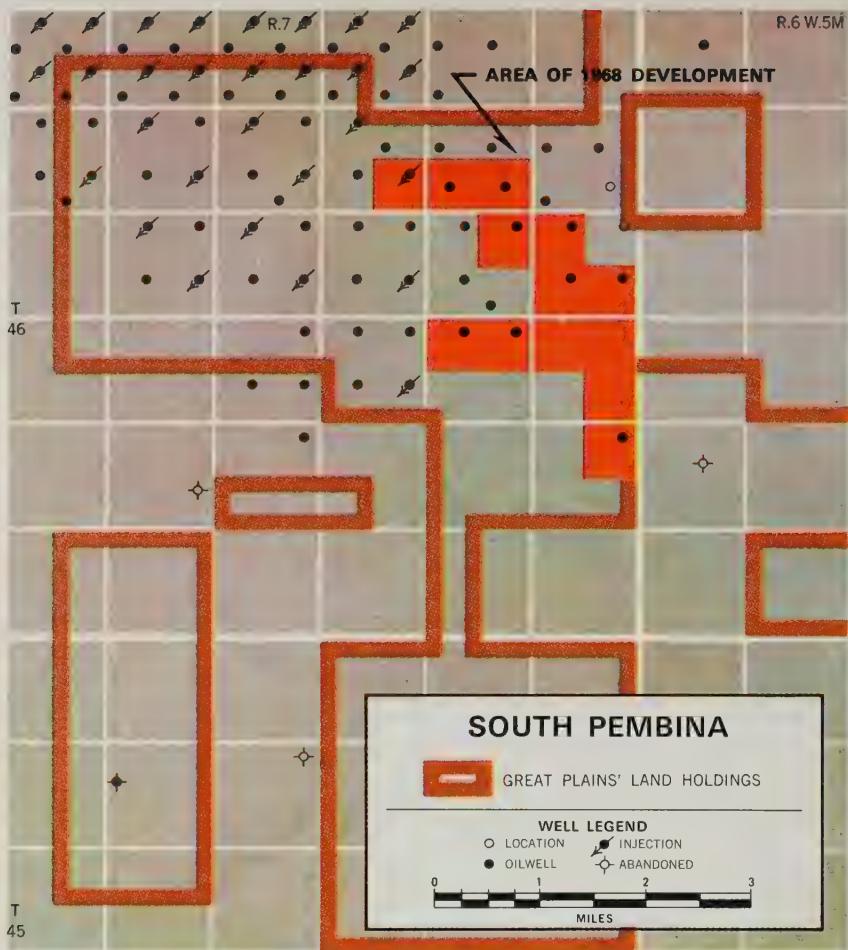
## NET PRODUCTION OF NATURAL GAS, GAS LIQUIDS AND SULPHUR

	Natural Gas MMcf.		Gas Liquids Bbls.		Sulphur Long Tons	
	1968	1967	1968	1967	1968	1967
Calgary . . . . .	1,714	1,266	47,000	41,000	12,200	8,700
Harmattan . . . . .	*	*	440,000	403,000	4,100	3,500
Minnehik-Buck Lake . .	4,688	5,057	84,000	80,000	1,300	1,100
Other Areas . . . . .	2,137	1,740	23,000	27,000	800	100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	8,539	8,063	594,000	551,000	18,400	13,400
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

\*Gas is being reinjected after the extraction of liquids.

Liquid sulphur—a valuable product recovered from natural gas.

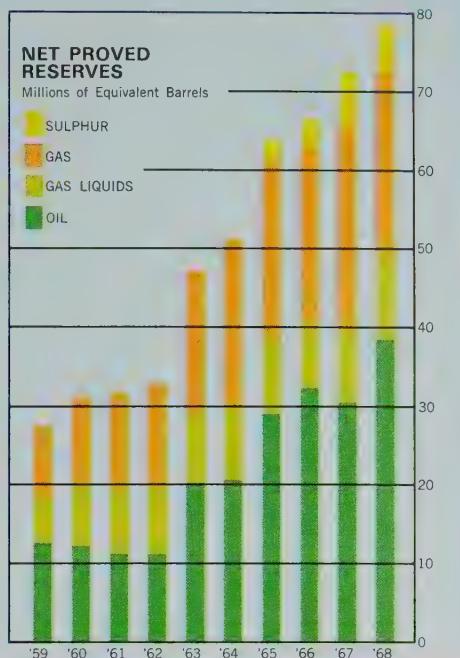




## NET RESERVES - *after royalties*

DECEMBER 31, 1968

	Crude Oil (Barrels)	Natural Gas Liquids (Barrels)	Natural Gas (Millions of Cubic Feet)	Sulphur (Long tons)
<b>Proved—</b>				
Developed	37,153,000	11,246,000	300,245	408,000
Undeveloped	1,355,000	16,000	1,958	—
Probable	2,468,000	—	11,077	—
<b>Total</b>	<b>40,976,000</b>	<b>11,262,000</b>	<b>313,280</b>	<b>408,000</b>



## Reserves

The Company's net reserves, after deducting all royalties and working interests of others, as estimated by DeGolyer and MacNaughton, petroleum consultants, are shown in the accompanying table. Reserves increased as a result of enhanced secondary recovery projects and development drilling. Heavy oil reserves at Cold Lake and the Athabasca Tar Sands are not included in these estimates.

Proved net reserves of crude oil, natural gas liquids, natural gas and sulphur are equivalent to 78.3 million barrels. For 1968, reserves of natural gas and sulphur were converted at rates of one barrel per 13.5 thousand cubic feet and 15 barrels per long ton, these being the approximate current price equivalents.

Because of conservation regulations, the Company is still prohibited from selling Harmattan gas, which comprises 40 percent of its total gas reserve, in order to maintain pressure and improve oil recovery in the associated pools.

The life for proved and probable reserves at present rates of production is 18 years for crude oil and natural gas liquids, and 37 years for natural gas.



Left: Harmattan area plant, located on the edge of the Alberta foothills.

## Employees

The management of the Company is proud of the contribution made by employees to attain the results achieved during the year.

At year-end, the combined staffs of Great Plains and Northern Oil totalled 113 employees. This is a relatively young, energetic group with an average age of 34 years. Nearly one-quarter of the staff has been educated in geological or engineering professions. Twenty-six employees work at various field locations, charged with the responsibility of producing the 342 wells operated by the Company. Eighty-six employees are shareholders, through participation in a savings plan which makes regular purchases of Company stock.

\* \* \*

Mr. N. J. D. Williams, Managing Director of The Burmah Oil Company Limited, was elected to the Board of Directors to fill the vacancy caused by the retirement of Mr. J. A. Drysdale.

On behalf of the Board,

DAVID E. MITCHELL  
President

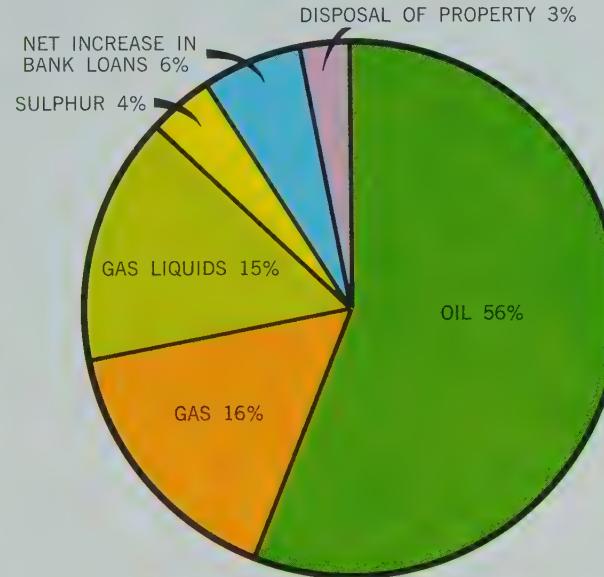
Calgary, Alberta,  
January 28, 1969.



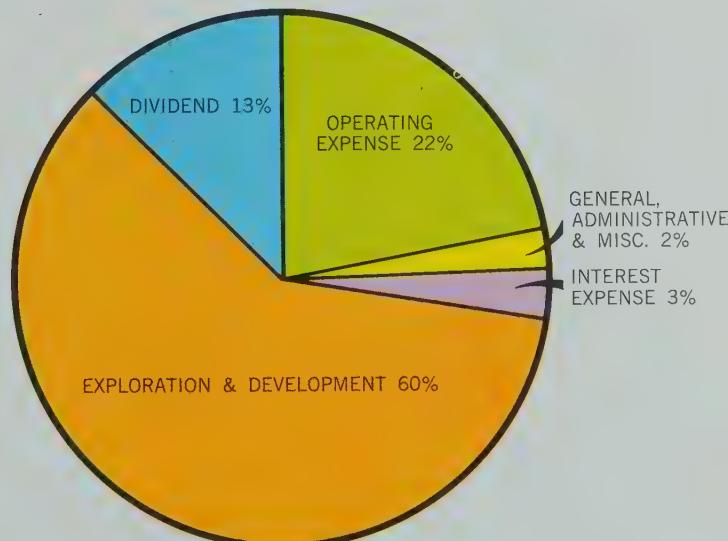
# FINANCIAL STATEMENTS

- BM
- Consolidated Statement of Income
- Consolidated Statement of Source and Use of Funds
- Auditors' Report to the Shareholders
- Consolidated Balance Sheet
- Consolidated Statement of Earned Surplus
- Consolidated Statement of Contributed Surplus
- Notes to Financial Statements
- Ten-year Statistical Summary

## SOURCE OF FUNDS



## APPLICATION OF FUNDS



# GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

## CONSOLIDATED STATEMENT OF INCOME

*For the years ended December 31, 1968 and 1967*

	1968	1967
<b>INCOME</b>		
Production income . . . . .	\$9,071,000	\$8,820,000
Interest, dividends and other income . . . . .	31,000	32,000
	<hr/>	<hr/>
	9,102,000	8,852,000
<b>EXPENSE</b>		
Operating expense . . . . .	2,164,000	2,030,000
General and administrative expense . . . . .	153,000	171,000
Interest expense . . . . .	263,000	271,000
	<hr/>	<hr/>
CASH GENERATED FROM OPERATIONS . . . . .	6,522,000	6,380,000
	<hr/>	<hr/>
Provision for depletion . . . . .	2,164,000	2,068,000
Provision for depreciation . . . . .	467,000	460,000
	<hr/>	<hr/>
	2,631,000	2,528,000
<b>NET INCOME BEFORE PROVISION FOR DEFERRED INCOME TAXES . . . . .</b>	<b>3,891,000</b>	<b>3,852,000</b>
Provision for deferred income taxes (Note 6) . . . . .	584,000	578,000
<b>NET INCOME FOR THE YEAR . . . . .</b>	<b>\$3,307,000</b>	<b>\$3,274,000</b>
	<hr/>	<hr/>

*The accompanying notes are an integral part of the financial statements.*

# GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

## CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the years ended December 31, 1968 and 1967

	1968	1967
<b>FUNDS WERE OBTAINED FROM:</b>		
Income . . . . .	\$9,102,000	\$8,852,000
Less: Operating, general and administrative and interest expenses . . . . .	2,580,000	2,472,000
Cash generated from operations . . . . .	6,522,000	6,380,000
Issue of capital stock . . . . .	4,000	464,000
Increase in long-term debt . . . . .	1,500,000	—
Disposal of properties . . . . .	287,000	1,221,000
	8,313,000	8,065,000
<b>FUNDS WERE USED FOR:</b>		
Exploration and development . . . . .	5,783,000	5,704,000
Reduction of long-term debt . . . . .	919,000	1,010,000
Dividend declared . . . . .	1,278,000	1,278,000
Miscellaneous . . . . .	97,000	12,000
	8,077,000	8,004,000
<b>INCREASE IN WORKING CAPITAL</b> . . . . .	<b>\$ 236,000</b>	<b>\$ 61,000</b>

*The accompanying notes are an integral part of the financial statements.*

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Great Plains Development Company of Canada, Ltd. and subsidiaries as at December 31, 1968 and the consolidated statements of income, earned surplus, contributed surplus and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(Signed) RIDDELL, STEAD, GRAHAM & HUTCHISON,  
Chartered Accountants.

Calgary, Alberta  
January 24, 1969

# GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1968

### ASSETS

	1968	1967
<b>CURRENT ASSETS</b>		
Cash in banks . . . . .	\$ 202,000	\$ 217,000
Funds on guaranteed deposit . . . . .	1,500,000	1,300,000
Accounts receivable . . . . .	2,966,000	2,610,000
Inventories—at lower of cost or market . . . . .	203,000	117,000
	<hr/>	<hr/>
	4,871,000	4,244,000
 <b>PROPERTY, PLANT AND EQUIPMENT—at cost (Note 1)</b>		
Petroleum and natural gas properties including exploration and development thereof . . . . .	62,769,000	58,444,000
Plant, production and other equipment . . . . .	12,280,000	11,688,000
	<hr/>	<hr/>
	75,049,000	70,132,000
Less: Accumulated depletion and depreciation (Note 7)	20,902,000	18,850,000
	<hr/>	<hr/>
	54,147,000	51,282,000
 <b>OTHER ASSETS</b>		
Prepaid expenses and sundry deposits . . . . .	330,000	233,000
Investment in pipeline companies, at cost . . . . .	11,000	11,000
	<hr/>	<hr/>
	341,000	244,000
	<hr/>	<hr/>
	\$59,359,000	\$55,770,000
	<hr/>	<hr/>

*The accompanying notes are an integral part of the financial statements.*

# ND 1967

## LIABILITIES

	1968	1967
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued charges . . . . .	\$ 2,159,000	\$ 2,140,000
Dividend payable . . . . .	1,278,000	1,278,000
Current portion of long-term debt . . . . .	531,000	159,000
	<hr/> 3,968,000	<hr/> 3,577,000
<b>LONG-TERM DEBT (Note 3) . . . . .</b>	<hr/> 4,349,000	<hr/> 3,768,000
<b>DEFERRED INCOME TAXES (Note 6) . . . . .</b>	<hr/> 4,361,000	<hr/> 3,777,000

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK (Note 4)

#### Authorized

6,000,000 shares at \$1 each, par value

#### Issued

3,194,739 shares (1967 — 3,194,364) . . . . .	3,195,000	3,194,000
<b>CONTRIBUTED SURPLUS . . . . .</b>	<b>24,541,000</b>	<b>24,538,000</b>
<b>EARNED SURPLUS . . . . .</b>	<b>18,945,000</b>	<b>16,916,000</b>
	<hr/> <b>46,681,000</b>	<hr/> <b>44,648,000</b>

Signed on behalf of the Board of Directors:

Lewis W. MacNaughton, Director

David E. Mitchell, Director

<hr/> <b>\$59,359,000</b>	<hr/> <b>\$55,770,000</b>
---------------------------	---------------------------

# GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

*For the years ended December 31, 1968 and 1967*

	<b>1968</b>	<b>1967</b>
BALANCE at beginning of year . . . . .	\$16,916,000	\$14,920,000
Net income for the year . . . . .	3,307,000	3,274,000
	20,223,000	18,194,000
Dividend declared . . . . .	1,278,000	1,278,000
BALANCE at end of year . . . . .	\$18,945,000	\$16,916,000

## CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

*For the years ended December 31, 1968 and 1967*

	<b>1968</b>	<b>1967</b>
BALANCE at beginning of year . . . . .	\$24,538,000	\$24,117,000
Premium on issue of capital stock (Note 4) . . . . .	3,000	421,000
BALANCE at end of year . . . . .	\$24,541,000	\$24,538,000

# GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

## NOTES TO FINANCIAL STATEMENTS

as at December 31, 1968

### 1. Principles of Consolidation

Included in the consolidated statements are the accounts of all subsidiaries of the Company. The excess of the consideration paid for the shares of purchased subsidiaries over their net book value at dates of acquisition is included in property, plant and equipment in the consolidated balance sheet.

### 2. Accounting Policies

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil, gas and related reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expense, carrying charges of non-producing properties, costs of drilling both productive and unproductive wells, production equipment and gas facilities and all technical and administrative overhead directly associated with these functions. These costs are amortized on the composite unit of production method based on total estimated proved developed reserves. Proceeds received from disposal of properties are credited against such costs.

### 3. Long-term Debt

Details of the companies' long-term debt are as follows.

	1968	1967
5 3/4 % Note payable to an affiliated company . . . . .	1,225,000	1,225,000
Production bank loans . . . . .	3,655,000	2,702,000
	<hr/>	<hr/>
	4,880,000	3,927,000
Less amounts included in current liabilities . . . . .	531,000	159,000
	<hr/>	<hr/>
	\$4,349,000	\$3,768,000
	<hr/>	<hr/>

Production bank loans, maturing at varying dates to March 31, 1975, are repayable in monthly installments together with interest at bank prime rates for such loans and are secured by an assignment of the companies' interest in certain producing properties.

### 4. Capital Stock

At December 31, 1968, 57,125 shares of capital stock are reserved for issuance under an Incentive Stock Option Plan, of which options have been granted to employees, including officers, to purchase 47,125 shares at prices ranging from \$9.90 to \$14.40 per share. Such options are exercisable cumulatively in four equal installments commencing one year after date of option and all expire on or before March 14, 1973. During 1968, 375 shares of capital stock were issued for a consideration of \$3,713, of which \$375 has been credited to capital stock and the balance of \$3,338 to contributed surplus.

### 5. Commitments

Under the terms of an agreement between the Company, Barber Oil Corporation and Noranda Mines Limited, the Company has agreed to expend \$2,000,000 per year for

each of the next three years on exploration operations in Canada. Such exploration will be conducted in the name of Northern Oil Explorers Ltd. on behalf of the above participants.

### 6. Income Taxes

Under Canadian income tax law, exploration and development expenditures, including costs of oil and gas rights, may be deducted from income and any excess may be carried forward to subsequent years. In addition, capital cost allowances which are in excess of the depreciation recorded in the accounts may be claimed. As a result of claiming the maximum amounts allowed, no income taxes have been paid by any of the companies to date, and as at December 31, 1968, the companies have accumulations of unused deductions totalling approximately \$9,700,000 available to apply against future taxable income.

In determining reported net income, the companies provide for deferred income taxes. Although the utilization of maximum available tax credits eliminates any current income tax liability, it will result in the payment of higher taxes in the future when recorded charges exceed those available for tax purposes. Directly influencing the timing and extent of this future liability, however, are additional deductions available from continuing exploration and development investment which initially result in further deferment of any tax liability and thereafter materially reduce the annual amount of taxes actually payable. For these reasons deferred taxes have been provided for at rates less than those in effect under present taxation legislation, but which, it is estimated, should adequately provide for all income taxes payable by the companies for the period from inception into the foreseeable future. Such amounts are credited to "Deferred Income Taxes" and will be taken into income of future years as and when income taxes payable are in excess of then current provisions. If the companies had provided for deferred taxes on the basis of full tax rates for all timing differences between taxable income and reported income, such provisions would have been increased by approximately \$880,000 (\$870,000 in 1967) and cumulative deferred income taxes would have been approximately \$6,800,000 greater.

### 7. Statutory Information

(a) Direct remuneration paid during 1968 to directors and senior officers (as defined by The Ontario Securities Act) totalled \$172,451, of which \$120,800 was paid to directors as directors and officers of the companies.

(b) Accumulated depletion and depreciation as at December 31, 1968 is as follows:

Depletion of petroleum and natural gas properties . . . . .	\$18,010,000
Depreciation of plant, production and other equipment . . . . .	2,892,000
	<hr/>
	\$20,902,000
	<hr/>

# GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

## TEN-YEAR STATISTICAL SUMMARY

	1968	1967	1966
<b>FINANCIAL</b>			
Gross income . . . . .	\$ 9,102,000	8,852,000	8,165,000
Operating expense . . . . .	\$ 2,164,000	2,030,000	1,913,000
General and administrative expense . . . . .	\$ 153,000	171,000	202,000
Interest expense . . . . .	\$ 263,000	271,000	267,000
Cash generated from operations . . . . .	\$ 6,522,000	6,380,000	5,783,000
Per share . . . . .	\$ 2.04	2.00	1.83
Net income, after deferred income tax provision . . . . .	\$ 3,307,000	3,274,000	2,811,000
Per share . . . . .	\$ 1.04	1.02	.83
Dividend declared . . . . .	\$ 1,278,000	1,278,000	1,103,000
Per share . . . . .	40¢	40	33
Working capital . . . . .	\$ 903,000	667,000	608,000
Long-term debt . . . . .	\$ 4,349,000	3,768,000	4,778,000
Shares outstanding . . . . .	3,194,739	3,194,364	3,151,864
Shareholders' equity per share . . . . .	\$ 14.61	13.98	13.39
<b>RESERVES, Proved</b>			
Crude oil, net barrels . . . . .	38,508,000	30,575,000	31,325,000
Natural gas liquids, net barrels . . . . .	11,262,000	9,801,000	9,243,000
Natural gas, net millions of cubic feet . . . . .	302,000	337,000	329,000
Sulphur, net long tons . . . . .	408,000	466,000	478,000
<b>PROPERTIES</b>			
Acres, gross . . . . .	14,519,000	11,113,000	10,586,000
net . . . . .	7,740,000	6,753,000	7,972,000
<b>PRODUCTION</b>			
Oil and gas liquids, net barrels . . . . .	2,890,000	2,783,000	2,834,000
Daily average . . . . .	7,896	7,624	7,764
Average wellhead price per barrel . . . . .	\$ 2.45	2.45	2.41
Natural gas, net millions of cubic feet . . . . .	8,539	8,063	6,818
Daily average . . . . .	23.3	22.1	18.7
Average wellhead price per Mcf . . . . .	18.2¢	18.5	17.8
Sulphur sales, net long tons . . . . .	11,500	11,200	6,900
Average price per long ton . . . . .	\$ 37.33	36.89	17.79
<b>NET WELLS</b>			
Oil . . . . .	294	281	280
Gas . . . . .	40	36	32
<b>EMPLOYEES AND SHAREHOLDERS</b>			
Number of employees . . . . .	113	108	106
Number of shareholders . . . . .	2,071	2,231	2,350

1965	1964	1963	1962	1961	1960	1959
8,311,000	6,527,000	5,411,000	2,933,000	2,824,000	2,497,000	2,511,000
1,742,000	1,168,000	908,000	478,000	406,000	388,000	367,000
201,000	349,000	341,000	140,000	122,000	86,000	114,000
270,000	92,000	215,000	201,000	257,000	260,000	266,000
6,098,000	4,918,000	3,947,000	2,114,000	2,039,000	1,763,000	1,764,000
1.93	1.63	1.32	1.58	1.65	1.71	1.79
2,997,000	2,670,000	2,276,000	1,274,000	1,168,000	988,000	978,000
.95	.88	.76	.95	.95	.96	1.00
1,103,000	907,000	—	—	—	—	—
35	30	—	—	—	—	—
(321,000)	1,999,000	9,102,000	6,884,000	5,465,000	3,613,000	3,003,000
3,549,000	—	4,656,000	4,940,000	5,205,000	6,488,000	6,528,000
3,151,864	3,023,064	3,001,314	1,341,092	1,236,092	1,033,442	983,042
12.84	12.34	11.77	11.50	10.14	8.05	6.98
29,012,000	20,594,000	20,068,000	11,167,000	11,117,000	12,229,000	12,448,000
9,924,000	9,698,000	8,905,000	8,896,000	8,928,000	8,137,000	5,946,000
323,000	310,000	269,000	189,000	171,000	158,000	128,000
380,000	306,000	—	—	—	—	—
9,014,000	8,029,000	5,698,000	2,044,000	899,000	991,000	1,073,000
6,672,000	6,035,000	4,239,000	1,638,000	627,000	716,000	685,000
2,849,000	2,176,000	1,775,000	1,011,000	1,095,000	993,000	984,000
7,805	5,944	4,862	2,771	3,000	2,713	2,695
2.45	2.46	2.48	2.50	2.37	2.34	2.38
6,656	4,902	3,970	1,068	229	—	—
18.2	13.3	10.8	2.9	.6	—	—
17.6	17.7	18.0	16.4	13.3	—	—
8,900	700	—	—	—	—	—
12.75	8.64	—	—	—	—	—
284	196	189	80	92	91	77
32	31	27	14	9	8	8
94	94	81	60	62	61	67
2,195	1,918	1,958	2,319	2,423	2,697	2,804

# GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.



a Dominion Company incorporated in March, 1950

## Head Office

736 8th Avenue S.W., Calgary 2, Alberta

---

## DIRECTORS

### NORMAN J. ALEXANDER

Winnipeg, Manitoba  
Managing Partner of Richardson Securities of Canada.

### WILLIAM A. ARBUCKLE

Montreal, Quebec  
Chairman, Canadian Board of  
The Standard Life Assurance Company.

### T. HOWARD ATKINSON

Montreal, Quebec  
Retired Vice-President and General Manager of  
The Royal Bank of Canada.

### ROBERT F. BUCHANAN

Calgary, Alberta  
Financial Vice-President of the Company.

### RANALD H. MACDONALD

New York, N.Y.  
Dominick & Dominick, Incorporated, Consultant.

### LEWIS W. MACNAUGHTON

Dallas, Texas  
Chairman of the Board of the Company.

### JOHN K. McCausland

Toronto, Ontario  
Vice-President and Director, Wood Gundy Securities Limited.

### DAVID E. MITCHELL

Calgary, Alberta  
President of the Company.

### FREDERICK L. MOORE

New York, N.Y.  
Vice-President, Kidder, Peabody & Co. Inc.

### ROBERT P. SMITH

London, England  
Chairman of the Board,  
The Burmah Oil Company Limited.

### JOHN F. STRAIN

London, England  
Deputy Chairman and Director,  
The Burmah Oil Company Limited.

### H. ROBERT TAINSH

London, England  
Director, The Burmah Oil Company Limited.

### NICHOLAS J. D. WILLIAMS

London, England  
Managing Director, The Burmah Oil Company Limited.

---

## OFFICERS

LEWIS W. MACNAUGHTON, Chairman of the Board

DAVID E. MITCHELL, President

ROBERT F. BUCHANAN, Financial Vice-President

DENNIS H. SCOTT, Secretary

EDWARD A. EARLE, Assistant Treasurer

---

## Registrars and Transfer Agents

### MONTREAL TRUST COMPANY

Montreal, Toronto, Winnipeg,  
Calgary, Vancouver

### THE BANK OF NEW YORK

New York, N.Y.

---

## Auditors

RIDDELL, STEAD, GRAHAM &  
HUTCHISON, Calgary

---

## Stock Listed

TORONTO STOCK EXCHANGE



**GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.**



**ANNUAL REPORT 1968**